

# TIFA Worksheet-Innovative Finance Options

<b>I. INSTITUTIONAL ARRANGEMENTS</b>			
<b>NAME</b>	<b>DESCRIPTION</b>	<b>ADVANTAGES</b>	<b>DISADVANTAGES</b>
Create Non-Profit Project Financing (Southern Connector, SC)	Public Private partnerships can be formed to issue tax exempt debt that can be used to develop major infrastructure projects	Private companies can obtain access to tax exempt debt for infrastructure construction. Facilitates the qualification of a project to receive public funds Public or privately-placed debt can be issued Debt can be issued on tax-exempt basis saving financing costs Do not place local government funds at risk	Is higher cost debt than G.O. Bonding. States must have “beneficial interest in the NFP while indebtedness outstanding State must approve obligations issued by NFP Unencumbered legal title in financial facilities must vest in State after bonds paid Amount of capital is constrained by revenue availability/ payment commitments.
State Toll Authority (State Transportation Commission)	WSDOT is authorized to identify toll projects that are approved by the legislature.	Can use projected toll revenues as basis for federal assistance. New technology may provides efficiency benefits to toll payers	Limited to available revenues to repay debt service & operations

# TIFA Worksheet-Innovative Finance Options

NAME	DESCRIPTION	ADVANTAGES	DISADVANTAGES
State Transportation Finance Authority  (Housing, Economic Development Finance Authority, H.C. Facilities Authority)	Develops project financing using federal, state and local resources. Authorized to issue debt, to make loans to private companies, to receive money from private companies and make obligations to pay back. Has a portfolio of projects as identified by state, regional, local and private clients.	Self-supporting with no state appropriations, and no cost to taxpayers	Institutional arrangement may necessitate new agency?  Capitalization of SIB's and other financing products.  Non recourse debt—No obligation of the state can be made without Legislative authorization.  Needs maximum flexibility to achieve most efficient debt structures for project financing.
Transportation Pricing Utility (S.F. Area Bridge Toll Authority; New Jersey Turnpike Authority)	Ability to issue debt and to repay debt with tolls on a system of projects. Tolls are set to manage demand and to raise sufficient revenues to meet obligations.	Market pricing of demand may produce significant revenue. Revenue generated not specifically tied to project costs.	Jurisdictional issues  Use of revenues
PPP—Allow private companies to finance, develop, construct and operate transportation facilities. (Virginia, Colorado, Delaware, B.C.)	Create opportunities for private investment that either earns or is guaranteed a profit, depending on financial structure.	Could get some projects completed sooner than under more traditional methods.  Does not encumber state revenues.	No obligations of the state so finance costs may be higher.  The price of private sector risk will add to project costs.  Limited to projects where there is a dedicated revenue stream, such as toll projects, fees/fares or government funds and guarantees.

# TIFA Worksheet-Innovative Finance Options

II. REVENUE GENERATION IDEAS FOR TRANSPORTATION PROJECTS			
NAME	DESCRIPTION	ADVANTAGES	DISADVANTAGES
HOT Lanes (SR 91 and I-15 in California)	Allow SOV drivers to pay for underutilized space in the HOV lane system or in a specific corridor (I-5; I-90, I-405)	Revenue potential relies upon system performance and pricing. Application system wide and certain rates could produce substantial revenues	<p>Perceived vs. real equity issues</p> <p>May not be able to increase transit alternatives enough</p> <p>May not be enough HOV System Capacity to sell</p> <p>May not be able to raise enough revenues for more than operations costs?</p>
Strategies/Experiments to test pricing acceptance and elasticity (e.g. Value Pass)	Auction a limited number of temporary permits to drive in the HOV lane. Use the money to fund pricing implementation	Additional revenue generated	Have to set up test/evaluation method
Tax Increment Financing with Property Tax (RCW 39.89)	Allow public facilities to be formed within a defined area and allow future incremental property tax values to be used for debt financing.	Maximum \$4,400 year for each \$1 million increase in assessed value. This will service a \$55,000 loan at 5% over 20 years.	75% of local taxing districts including fire districts must approve the use of property TIF

# TIFA Worksheet-Innovative Finance Options

NAME	DESCRIPTION	ADVANTAGES	DISADVANTAGES
Tax Increment Financing With Sales/Use Tax	Same concept of property tax but future incremental state sales tax revenues may be used for debt financing.	Capture future tax revenue to pay for infrastructure that creates new tax revenue	Decrease in potential general fund revenues. Tied to the volatility of the sales tax, which makes revenue stream difficult to predict.  Concerns about commitment of future revenues for other projects/services at local level.
Highway Impact and Later Comer Fees (SR 125 California & Colorado E-470)	Authorize DOT to collect impact fees from businesses that generate significant traffic on state highways.	Pricing schemes could be created to invoke certain desirable behaviors to maximize the system. (E.g. A 10,000 employee center would get credits for bus riders telecommuters. UPS would get a price break for deliveries made after 9 a.m and before 3 pm.) Encourages employers to provide commute trip reduction programs; move goods and services in non peak hours.	Further burdens the sagging business economy of the state  May divert business to other locations  Competes for impact fees from local jurisdictions to some degree.
VMT Charge	Charge motorists a user charge for the miles traveled.	Unlimited	Share with Locals Ability to Collect
Sales Tax Exemption for Road and Highway Construction Projects	Allows for Sales Tax to be exempt for State Highway Construction Projects so that transportation funds will go further	Could generate \$18 million a year for state highways, and \$19 million for local roads.	Reduces revenues to the General Fund

# TIFA Worksheet-Innovative Finance Options

NAME	DESCRIPTION	ADVANTAGES	DISADVANTAGES
Tax Credits to Private Developers	Provide state tax credits to private developers who upfront fund interchanges etc.	Could generate \$30 million an interchange	Reduces revenues to General Fund
Partial Equity Financing	Private company provides funding to pay for project development and construction	Provides access to new capital Time and money efficiencies in the procurement, design/build construction and operational period	Very few projects can be financed with 100% equity Rate of return will add to overall project costs
New Dedicated Funding for Privately Sponsored Projects	For early feasibility studies to advance projects	Provides seed money for studies on projects that the private sector is interested in providing capital for Gives the government a strong role in setting the requirements and parameters of the project	There may not be funds available If capitalized, it may or may not be paid back

# TIFA Worksheet-Innovative Finance Options

III. LENDING PROGRAMS			
NAME	DESCRIPTION	ADVANTAGES	DISADVANTAGES
Transportation Infrastructure Finance and Innovation Act (TIFIA) (SR 125, CA)	Provides direct loans, loan guarantees and stand by lines of credit for projects that are over \$100 million and have a revenue stream. Public or private project sponsors.	Improved access to capital markets Flexible repayment terms Potentially more favorable interest terms Can help advance large capital intensive programs	Must be a Revenue generating project sufficient to repay senior debt and Feds. Costs must be at least \$100M or 50% annual Federal-aid apportionments Must be supported by user charges or non-Federal dedicated funding Must have EIS finding of No Significant Impact at time of application
State Infrastructure Bank (27 in 7 Peak Performance, SC)	Allows states to create revolving fund accounts to provide loans, letters of credit, certificates of participation, credit backstops/collateral using state and federal funds.	Funds can be leveraged to attract private, local, and additional state resources into a larger investment SIB capital can be used as collateral in the bond market or to establish a guaranteed reserve fund States can contribute additional funds beyond the required nonfederal match	Requires state enabling legislation  Project Eligibilities  No additional federal participation without modification of FED SIB authorization.

# TIFA Worksheet-Innovative Finance Options

NAME	DESCRIPTION	ADVANTAGES	DISADVANTAGES
Grant Anticipation Revenue Vehicles (GARVEE) Bonds (T-REX,CO)	Allows states to pledge future federal funds for debt service and allows federal funds to be used for debt service and financing costs.	Can be used for non-revenue projects. WSDOT proposes to use for Hood Canal Bridge in 03-05 Generates up-front capital for major projects Used in conjunction with advance construction to enable using Federal funds for future debt service payments Enables states to accelerate construction timelines and spread the cost over useful life Expands access to capital markets	Encumbering future federal dollars.